

SUSTAINABILITY STATEMENT

In line with its vision and core values, PPB Group Berhad (“PPB”) aspires to achieve excellence in sustainability by integrating sustainable practices into every one of its business activities.

The PPB Board (“the Board”) has oversight responsibility to deliver sustainable value to stakeholders through the principles, policies, objectives and strategies of PPB and its subsidiaries in Malaysia (“the Group”). To assist the Board in fulfilling its responsibilities, a Sustainability Steering Committee (“SSC”) was established in August 2017. The SSC is chaired by PPB’s Managing Director and comprises PPB’s Head of Corporate Affairs as Group Chief Sustainability Officer, PPB’s Department Heads and the Sustainability Officers of the various subsidiaries.

The SSC reports twice-yearly to the Board and is responsible for:



Developing and driving the implementation of sustainability policies and strategies, plans and project budgets.



Reviewing and reporting on progress against sustainability strategies, targets, plans and budgets.



Developing an annual Sustainability Statement.



Identifying, communicating and promoting best sustainability practices in the Group.

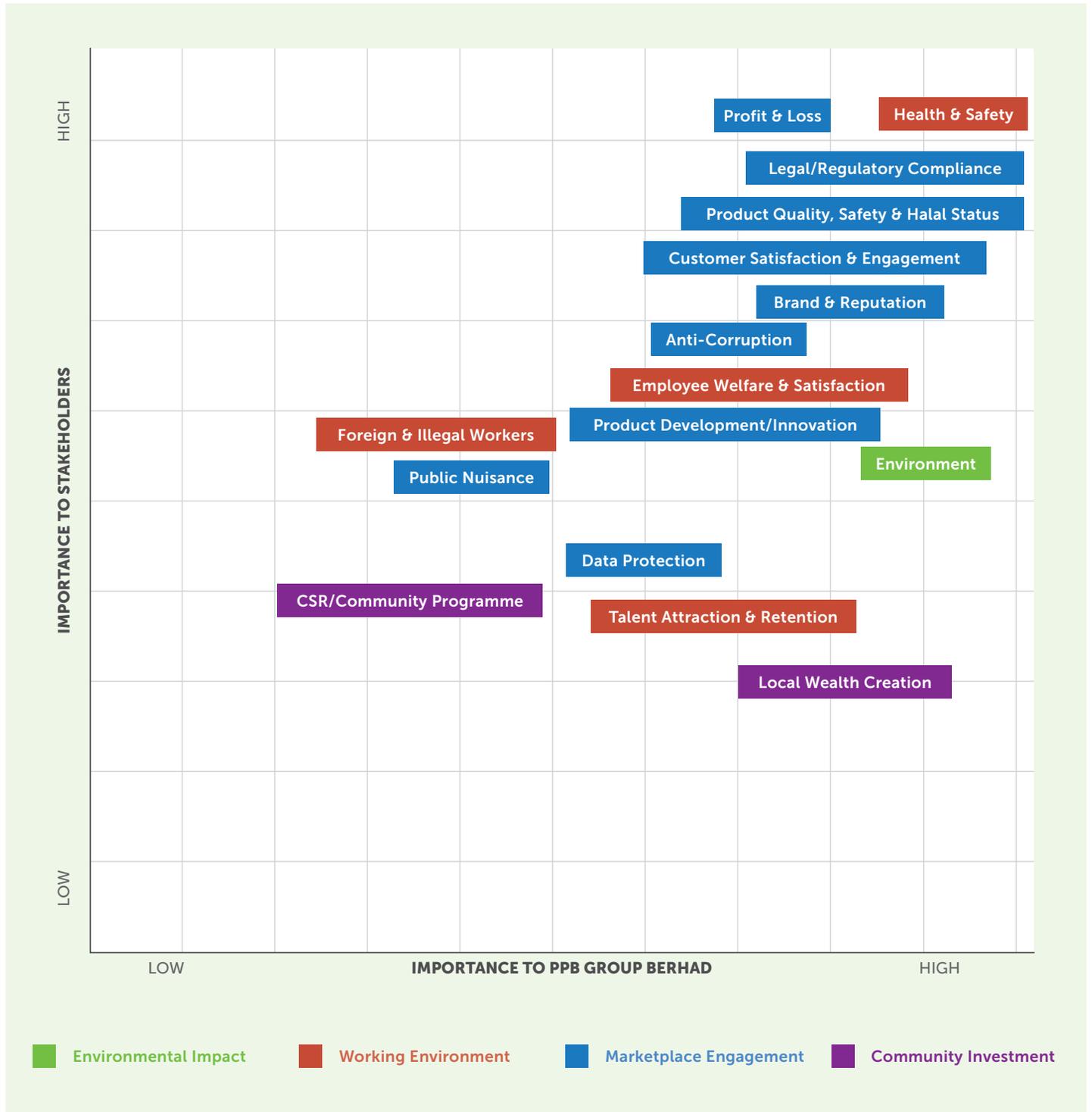
About this statement

This is our third Sustainability Statement based on the Bursa Malaysia Securities Berhad listing requirements and sustainability parameters aligned to international reporting guidelines and frameworks, such as the Global Reporting Initiative (GRI).

During our first reporting process in 2016, a materiality matrix of issues was validated by our various divisions and combined into a consolidated matrix of 16 prioritised issues relating to the activities of the Group. This was subsequently approved by the Board and formed the basis of an agreed set of key performance indicators (“KPIs”) used to report on our sustainability performance. To ensure that new developments within our businesses are taken into consideration, as well as to reflect wider changes to the sustainability agenda, we plan to undertake a review of our materiality assessment and targets in 2019.

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GROUP MATERIALITY MATRIX



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Our first Sustainability Statement described our performance on key non-financial metrics, highlighted areas where our sustainability management and processes could be strengthened, as well as provided a basis for us to continually improve on our subsequent reporting to better meet our stakeholders' expectations. We started by setting targets in 2016, and in the next two years, we focused on the set targets, the most material challenges, as well as improved our sustainability reporting and documentation. An overview of our achievements and progress is presented below, along with our targets for 2019.

ACHIEVEMENTS AND PROGRESS



2017

- Established a Sustainability Steering Committee to drive policy implementation and strategy.
- Established a CSR Task Force to develop a community development strategy.
- Commissioned carbon footprint assessment for flour and animal feed milling and cinemas divisions.
- GSC launched single-use plastic bottle recycling programme for its cinemas.
- Livestock farming division achieved 31.6% reduction in accidents.

2018

- Adopted Group Sustainability Policy and Human Rights Policy.
- Commissioned energy audit/reduction plan for flour and animal feed milling and cinemas divisions.
- Commissioned water footprint assessment/reduction plan for cinemas and property divisions.
- Livestock farming division achieved 30.8% reduction in accidents.
- GSC reduced its water consumption by 4.27%.
- PPB Group Berhad included in the FTSE4Good Index Series.
- Launched nutritional information for GSC's hot foods.

TARGETS



2019

- Zero fatalities for all business divisions.
- Flour and animal feed milling and cinemas divisions to implement recommendations made in the energy reduction plan where applicable and practicable and monitor on a regular basis.
- Cinemas and property divisions to implement recommendations made in the water reduction plan where applicable and practicable and monitor on a regular basis.
- Review materiality assessment.

In the following sections, we report on our performance in greater detail based on the four pillars of our approach to sustainability – environmental impact, working environment, marketplace engagement and community investment.

Our sustainability reporting covers only our Malaysian operations from our main segments – *Grains and agribusiness, Consumer products, Film exhibition and distribution, Environmental engineering and utilities, and Property.*

ENVIRONMENTAL IMPACT



We recognise the importance of environmental protection for the long term sustainability of our businesses. Our materiality assessment in 2016 showed that the most immediate issues within our own operations relate to resource use and the impact of this use – particularly water and energy, and the waste generated. We mainly operate in industrialised zones and urban areas, primarily in the Klang Valley, Malaysia and have relatively little direct impact on biodiversity. Our most significant action points therefore target the reduction of our climate impacts through minimising our carbon footprint and energy consumption, reducing our water impact and improving waste management.

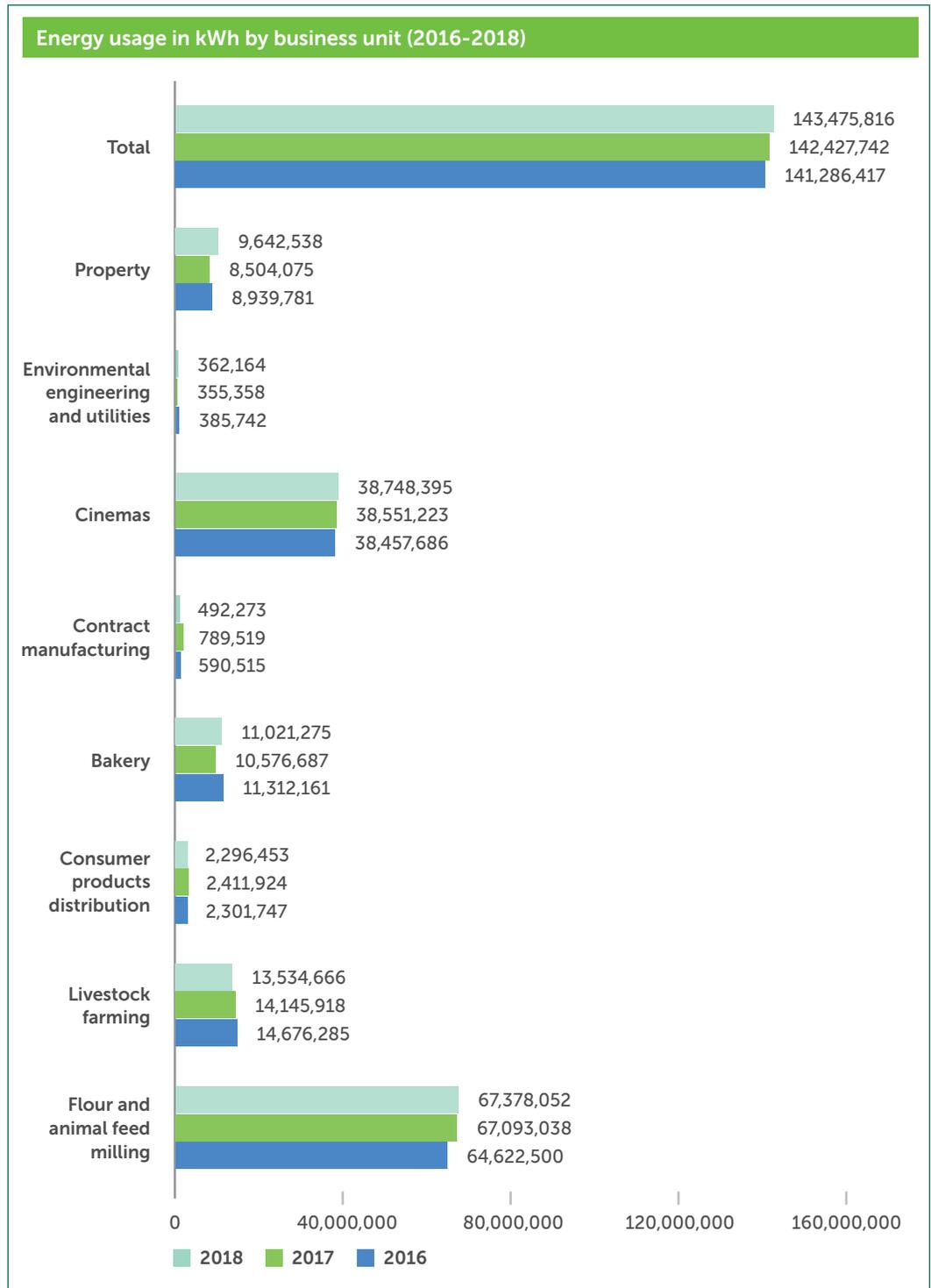
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Carbon footprint and energy consumption

Electricity consumption is the largest direct source of carbon emissions by the Group and we are committed to manage and reduce our energy usage, as well as to lower the impact of our operations on climate change.

As a first step to address our impact on climate change, we commissioned a carbon footprint assessment in 2017 of our top energy-consuming divisions – flour and animal feed milling, and cinemas – which helped establish a baseline for future reporting. In 2018, we continued to map our energy use across all business divisions¹, and commissioned an energy audit/reduction plan for all our flour and animal feed mills, and four of our cinemas in the Klang Valley which is representative of cinema types in the GSC circuit.

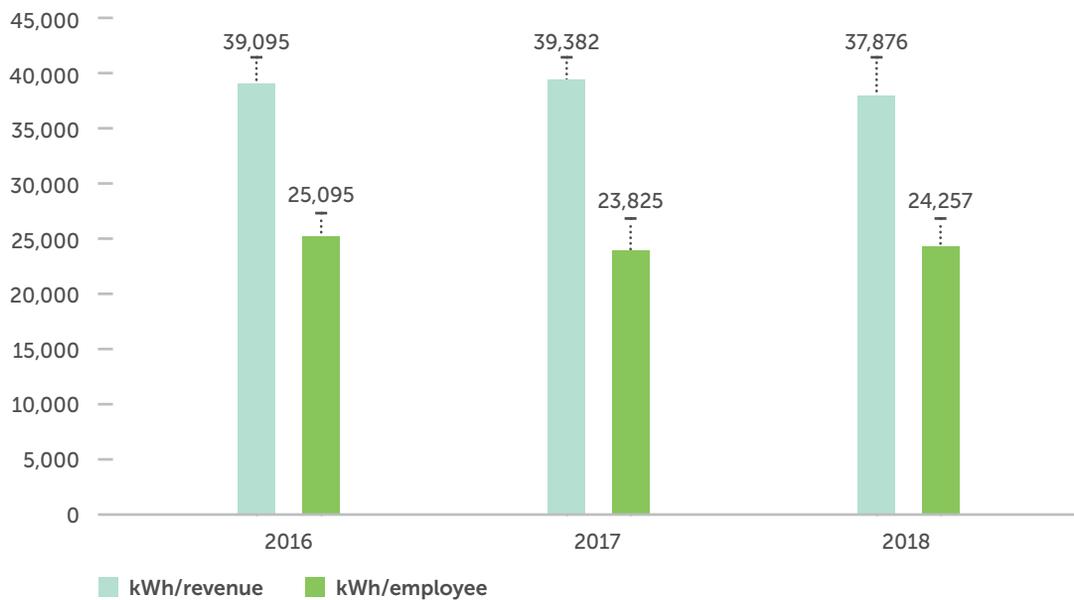
Based on the carbon footprint reports and the energy reduction plans, we will implement recommendations where applicable and practicable in 2019. We will also continue to monitor conservation of energy and reduction of carbon footprints of these same divisions in 2019 and beyond.



Note:
Energy usage does not include PPB Head Office or operations outside Malaysia.

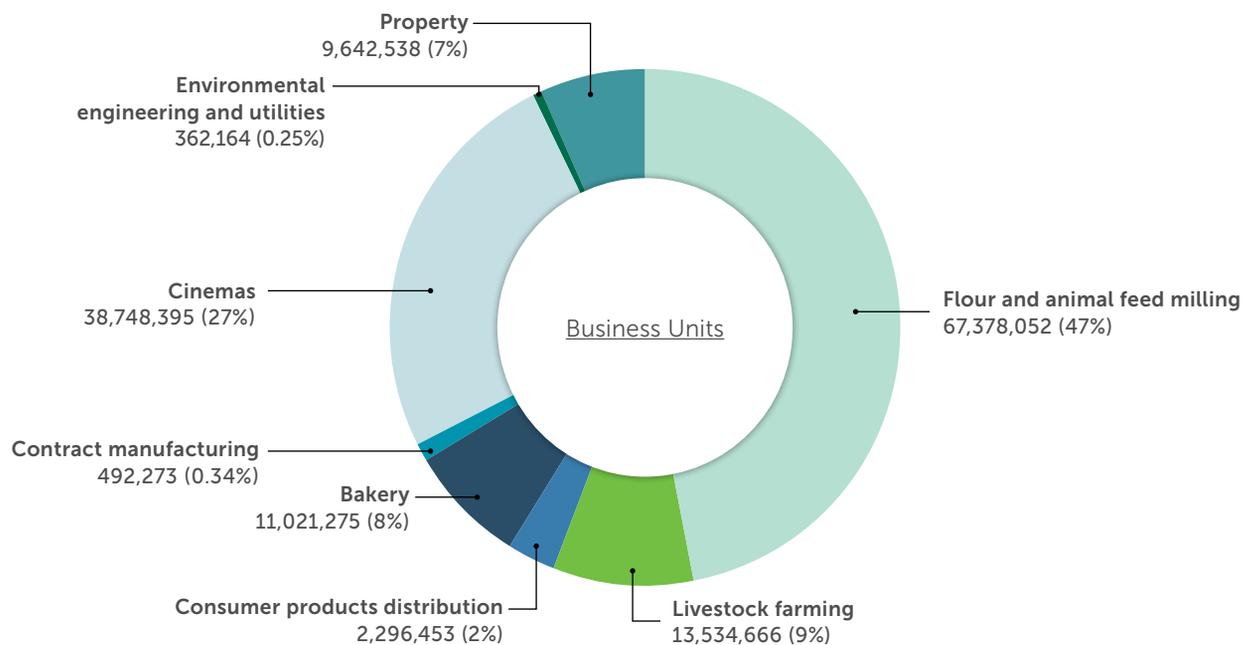
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Energy usage in kWh per employee and kWh per million RM revenue



The Group's energy usage saw a slight overall increase of 0.74%, mainly due to the addition of 15,000 sq. ft. of nett lettable area at Cheras LeisureMall (CLM), a Klang Valley shopping mall owned and managed by PPB, and the opening in January 2018 of an air-conditioned elevated pedestrian link bridge connecting CLM to the Taman Mutiara MRT station.

Energy usage in kWh by business unit (2018)



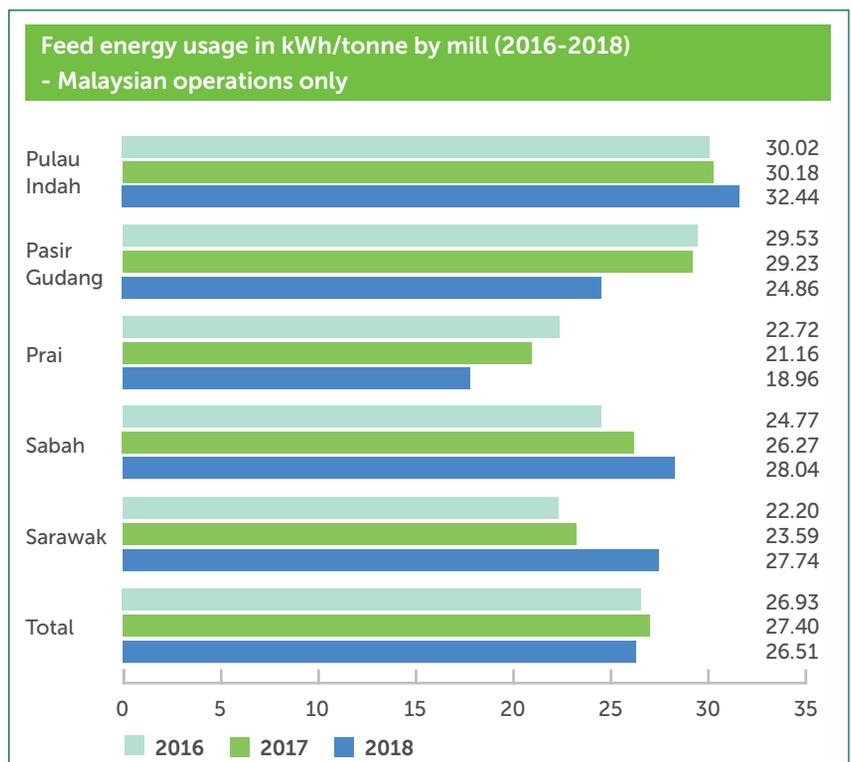
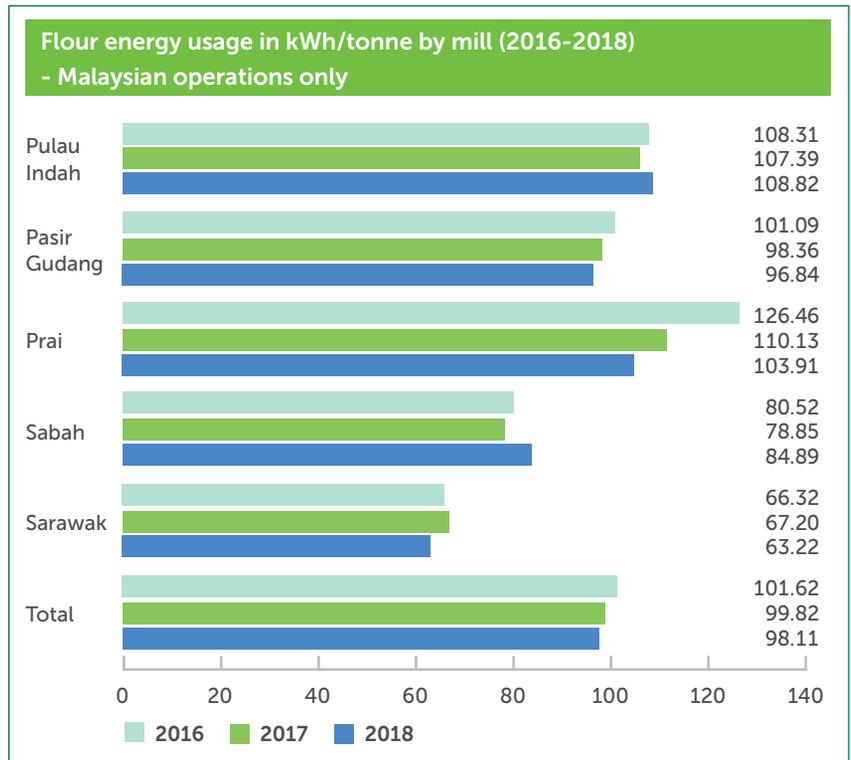
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Flour and animal feed milling

Milling is an energy-intensive activity and our flour and animal feed milling division accounted for about 47% of total Group energy usage in 2018. Energy consumption in this division is measured in kilowatt-hours per tonne of milled product (kWh/MT) and we strive to achieve optimum mill energy consumption. For 2018, our flour mills reduced their energy usage per unit output by 1.71% due to an increase in production output leading to better economies of scale, while our animal feed operations saw an increase of 3.25% due to different product mix which required higher energy usageⁱⁱ. Overall, this resulted in our flour and animal feed milling division recording a 3.17% increase in energy usage in kWh/MT in 2018.

In our 2016 Sustainability Statement, we set a target for our flour production operation in Pulau Indah, Selangor to reduce consumption by 2 kWh/MT by the end of 2019. The site subsequently recorded a decrease of 0.92 kWh/MT in 2017. However, in 2018 it recorded an increase of 1.43 kWh/MT due mainly to the incorporation of additional equipment in the production process to meet specific requirements of customers. As this will be an ongoing process, the site has revised its target to cover both its flour and feed operations – to not exceed industry averages from the US of 108 kWh/MT for flour and 32 kWh/MT from the UK for feed, effective from 2019. These targets will also apply to all flour and feed operations in the division which remains committed to reducing energy consumption on a kWh/MT basis.

Initiatives established by the division to conserve energy and mitigate the impact of our energy use include preventive maintenance, upgrading to energy-saving LED lights, installing solar panels for street lighting, energy-efficient start-up procedures for main motors and replacing old roller mills with those of higher capacity but lower energy consumption.

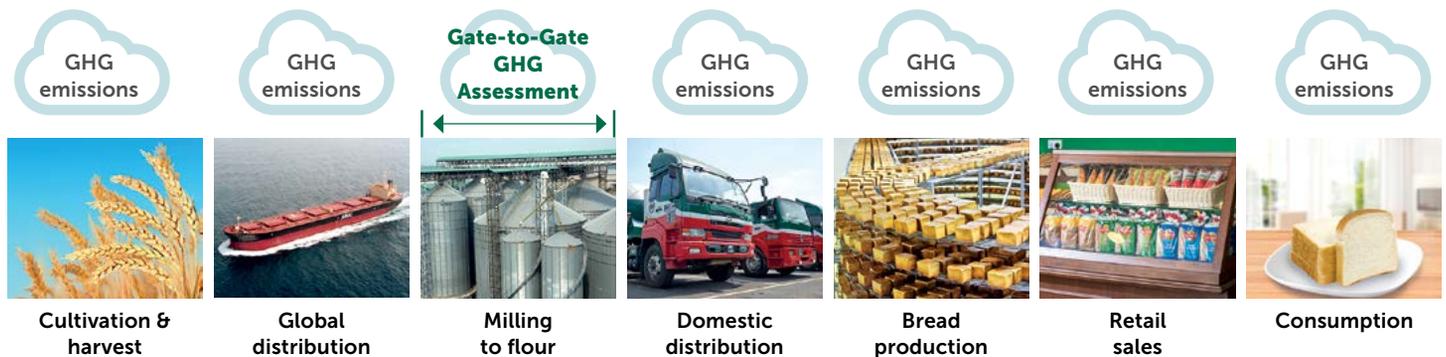


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Greenhouse gas (GHG) emissions – Flour and animal feed milling

As part of our materiality assessment and sustainability roadmap, we identified carbon emissions from our flour and animal feed milling as a priority area for the Group, and completed a carbon assessment (Scopes 1 and 2) of our Malaysian operations in 2017. This is our second carbon report and we have added Scope 3 (land and air travel by employees) for a more complete report on our emissions.

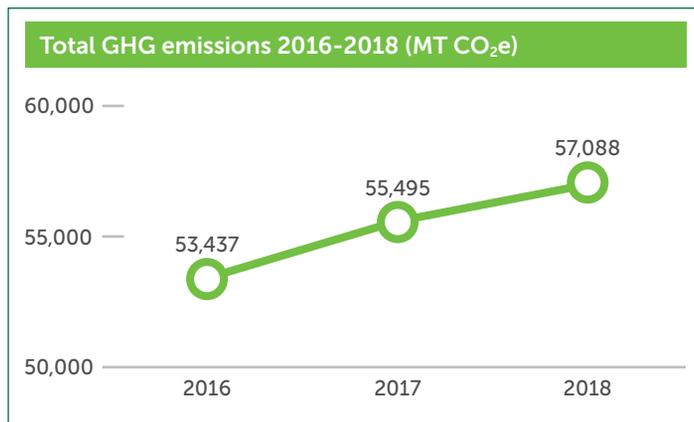
The carbon calculations were undertaken on a gate-to-gate basis. This means they exclude emissions from all external sources attributed to the production and transport of raw materials into the division’s operational sites, the transport of products out of the sites, as well as emissions from downstream processing and consumption.



(GHG=Greenhouse Gas)

For 2017 and 2018, the total emissions from our flour and animal feed milling operations were 55,495 tonnes of CO₂ equivalent (MT CO₂e) and 57,088 MT CO₂e respectively. The slight year-to-year increase of 2.87% is not unexpected as our total flour and animal feed production saw an increase of 1.59% in the same period.

The 3-year trend of our overall GHG emissions is as follows:



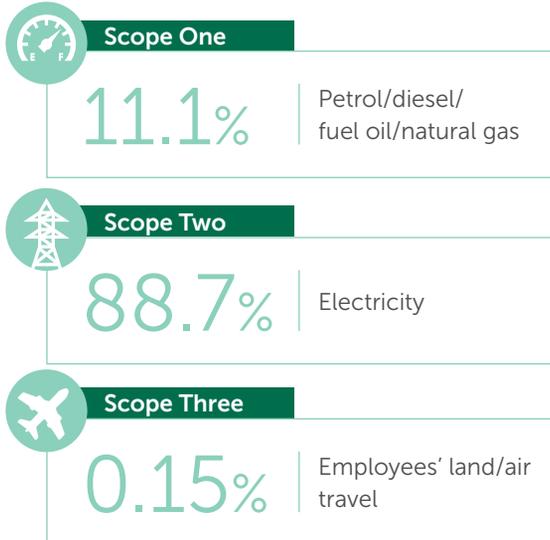
In order to quantify emissions per unit of production, the product carbon footprint of the output of the flour and animal feed mills has to be calculated. This metric is important to external buyers and end-users who require the information for incorporation into the calculation of their own product footprint. The product carbon footprint per tonne of our flour and feed in 2018 is at 0.0574 MT CO₂e, a small increase of 1.26% as compared to 2017.

Product carbon footprint = Emissions / Product Output			
Gate-to-Gate	2016	2017	2018
Total Emissions (MT CO ₂ e)	53,437	55,495	57,088
Total Flour & Feed Outputs (MT)	943,715	979,095	994,671
Carbon Footprint (MT CO ₂ e/MT)	0.0566	0.0567	0.0574

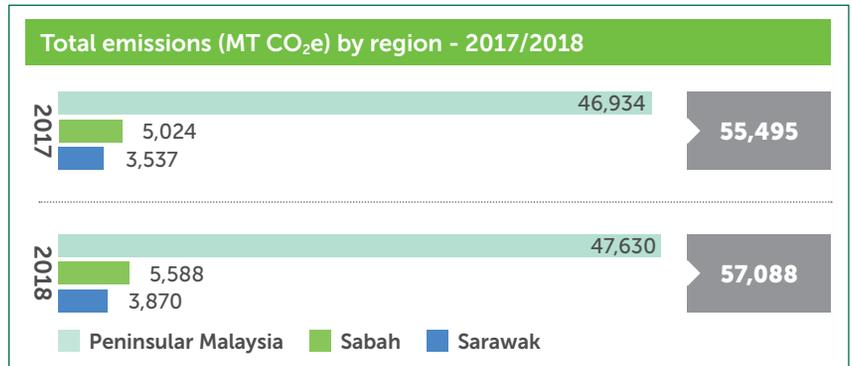
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In terms of emissions scope, indirect emissions under Scope 2 (i.e. grid electricity) remain the largest contributor to the overall emissions at 88.7%, while direct emissions under Scope 1 (derived from diesel, petrol, natural gas and fuel oil used at the mills) constituted only 11.1%. Indirect emissions under Scope 3 (for land and air travel by our employees) are very low, at only 0.15%.

GHG emissions for 2018 (MT CO₂e)



Our milling operations in Peninsular Malaysia generated the largest emissions compared to our operations in Sabah and Sarawak. Emissions from all three regions showed a slight increase in 2018 due to higher production outputs.



Cinemas division

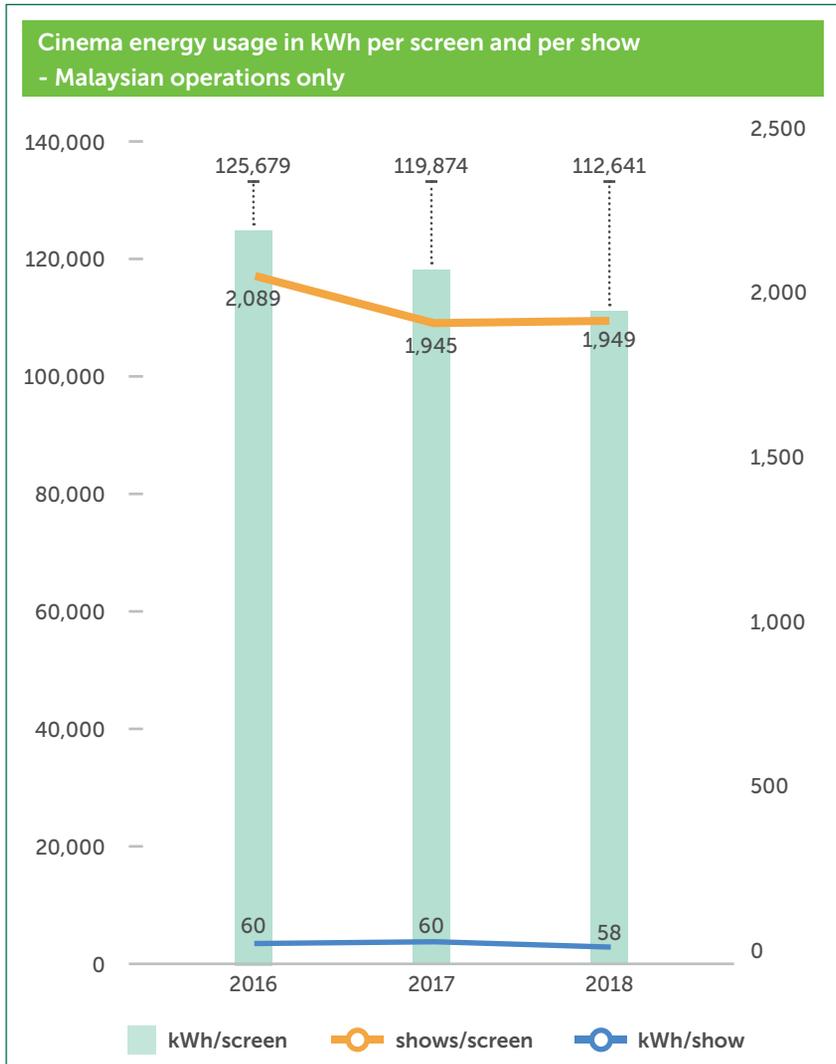
Energy consumption is a key material sustainability issue for our cinemas division as energy usage is a significant cost to the business. Electricity is used most of the day for the operation of air-conditioning and ventilation, projectors, sound systems, and food and beverage equipment. The division operated a total of 344 digital screens in Malaysia as at end-2018 and accounts for 27% of the Group's total energy footprint.

The division strives to reduce consumption where possible by establishing a number of energy-saving best practices, including the adoption of energy efficient laser projectors, converting halogen and fluorescent lights to LED and improving programming of shows.



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Despite having 39 new screens fully operational in 2018, the division recorded only a slight increase of 0.5% in its overall energy consumption, as well as managed a reduction in kWh/screen and average energy use/show by 6% and 2 kWhⁱⁱⁱ respectively in the same year.



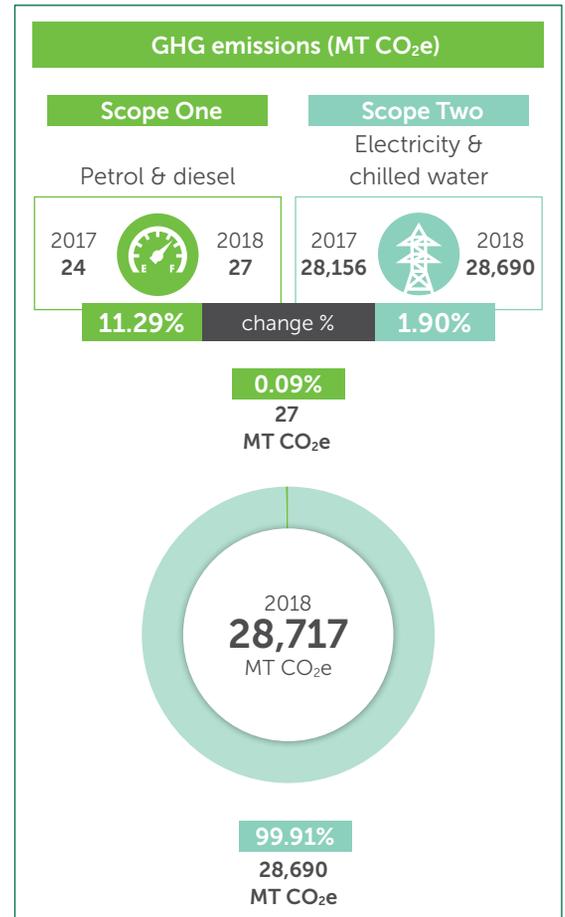
GHG emissions – Cinemas

This emissions report covers all GSC theatres, as well as GSC’s Head Office in Damansara Jaya, Selangor in both Scopes 1 and 2 under the GHG Protocol. Emissions from employees’ land and air travel under Scope 3, are being tracked by the division for reporting in the near future.

Total GHG emissions from the cinemas division for 2018 was 28,717 MT CO₂e, with Scope 2 (electricity and chilled water) remaining the largest contributor at 28,690 MT CO₂e or 99.91% of total emissions. Emissions under Scope 1 derived from consumption of fuels such as petrol and diesel remain insignificant at 0.09%.

The pattern of emission sources in 2018 is similar to that of both 2016 and 2017 as our cinemas are designed and operated consistently at all our sites.

The slight increase in total emissions of 1.90% between 2017 and 2018 is mainly due to the opening of three new cinemas with a total of 39 screens but the higher energy efficiency is reflected in a reduction in kWh/screen.

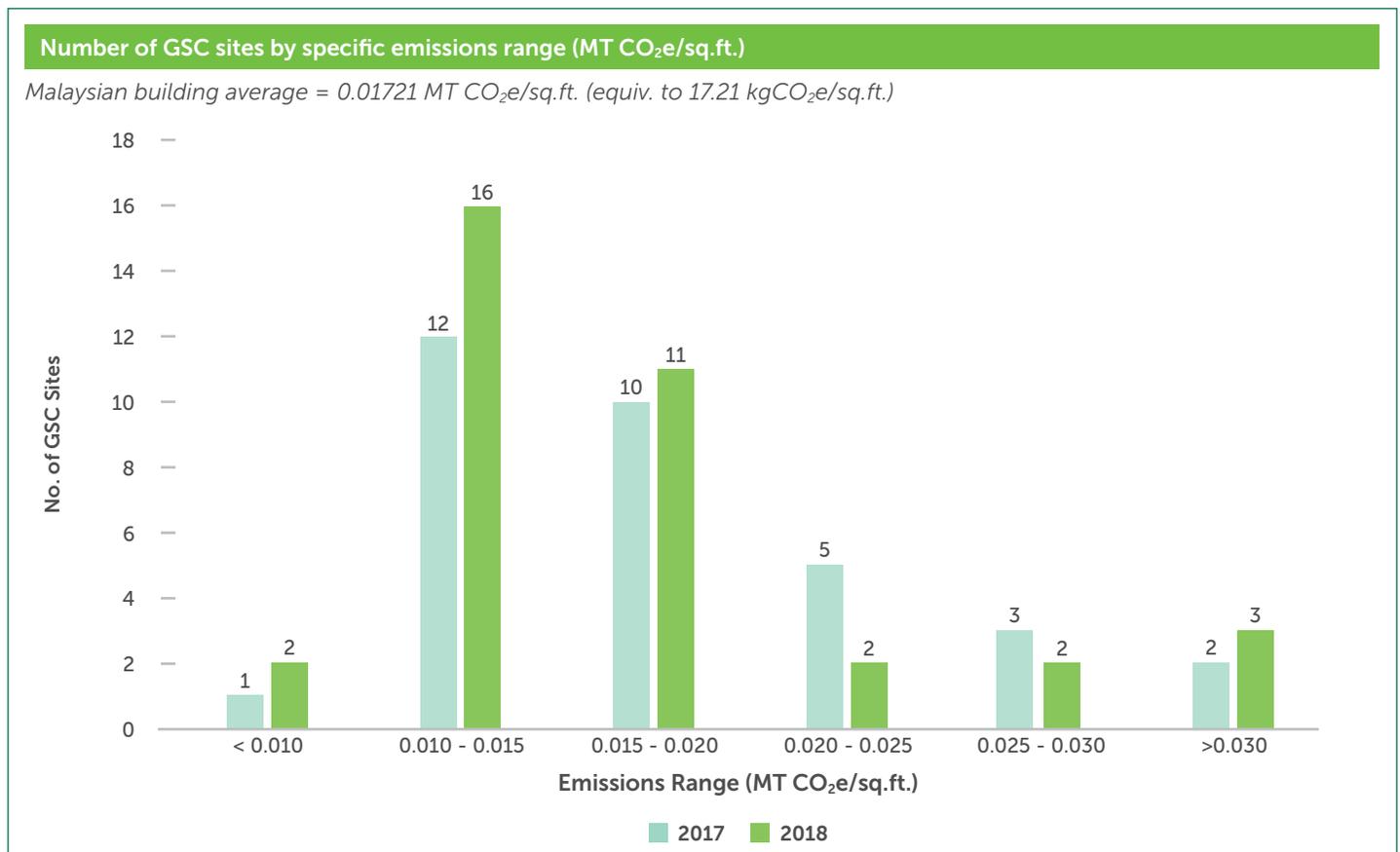


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Emissions intensity

Our cinemas division managed to reduce its specific emissions (MT CO₂e per square feet) slightly by 2.5% from 0.0200 MT CO₂e/sq. ft. in 2017 to 0.0195 MT CO₂e/sq. ft. in 2018. This is an encouraging indicator of our continuous effort and commitment to monitor and manage our energy use and hence, GHG emissions from our cinema operations.

For the individual cinema sites, there is an improvement in the number of sites with lower emissions per square foot in 2018 as compared to 2017. About two-thirds of our cinema sites have achieved emissions per square foot lower than the national average for Malaysian buildings (0.01721 MT CO₂e/sq. ft.).



Some energy-reducing measures the cinemas division plans to implement in 2019 include improving air-conditioning management and concession workflow processes. In the medium to long term, the division will develop a blueprint for a more comprehensive cinema design.

Livestock farming division

Our livestock farming division accounts for 9.4% of the Group's total energy usage. Electricity is mainly used for ventilation, water chillers, incubators, feeding and manure removal in chicken houses, and heating and air-conditioning at hatcheries. Almost all these equipment run for 24 hours on a daily basis. While we believe our energy consumption is on par with our peers in the industry, the division continues striving to reduce usage where possible. Ongoing efforts include replacing old equipment with energy-efficient models, and fluorescent lights with LEDs.

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Water usage

Water is an essential and increasingly scarce resource, and the Group views water use management and conservation as important issues, particularly for our divisions with high water consumption. The Group is committed to managing and reducing its water usage, as well as the water impact of our operations.

In 2016, we set a 2018 target to commission a water footprint assessment of our top water-consuming divisions – property and cinemas – as a first step in addressing our water impact, as well as to establish a baseline for future reporting. The water footprint assessments of CLM and Cheras Plaza, both under our property division, as well as, three cinemas that are representative of GSC's cinema types, were completed in 2018. In the same year, we continued to map our water use across all business divisions and will keep monitoring the conservation and reduction of water usage in 2019.

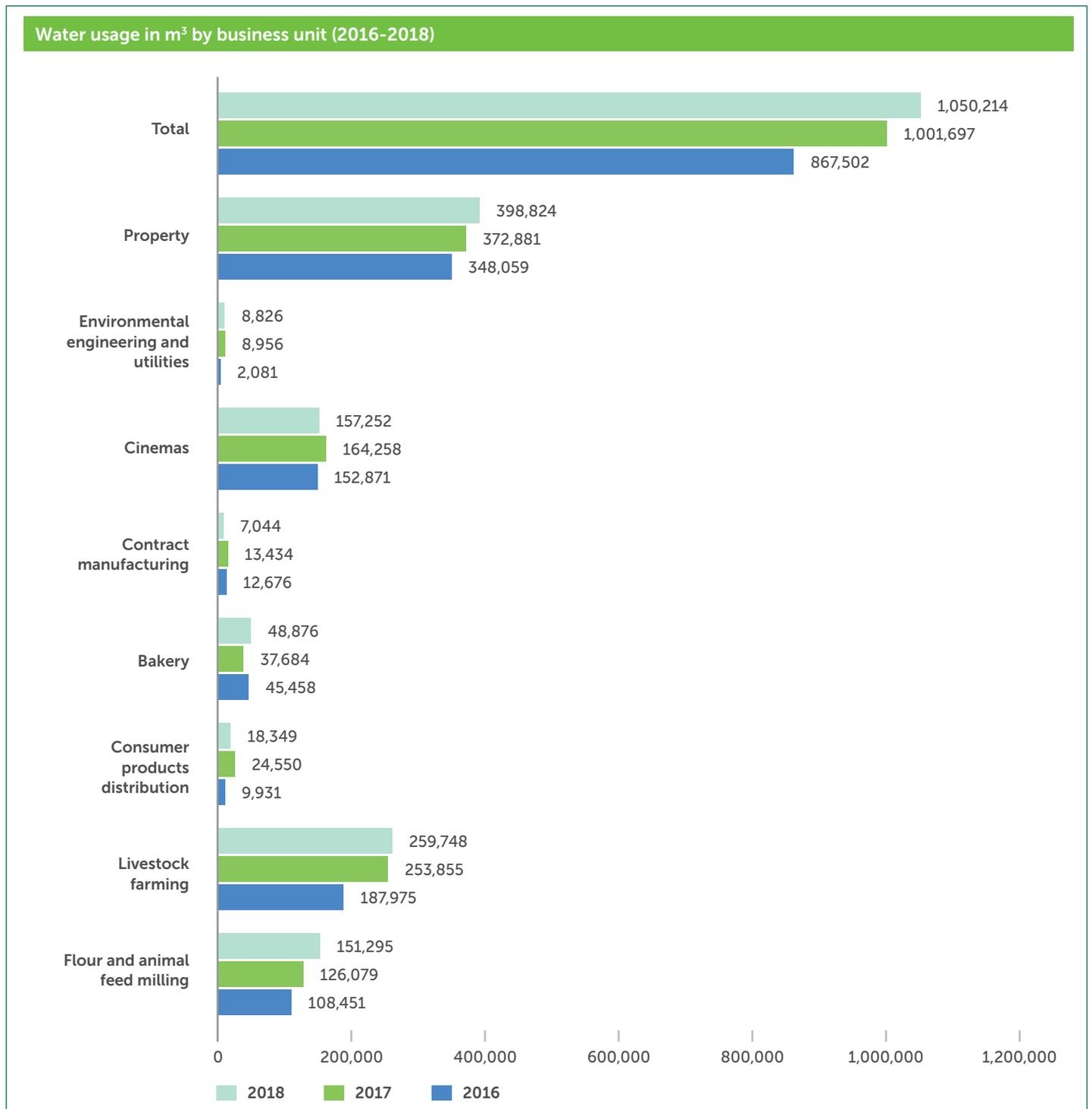
As a Group, we consumed 1.05 million m³ of water in 2018. Of this, about 78% was used by our property, cinemas, and livestock farming divisions. The Group's overall usage was up by 4.84% in 2018^y mainly due to increased footfall at CLM, and higher production output at both our flour and animal feed, and bakery divisions.

Our property division accounted for more than a third of our total combined water consumption. Its consumption include usage by tenants (often food and beverage outlets) and lavatory use. The division recorded an increase of 6.96% in 2018 due to an additional 15,000 sq. ft. of nett lettable area at CLM and the opening of a link bridge connecting CLM to the Taman Mutiara MRT station, both of which have contributed to higher footfall to CLM. To better manage its water usage, the division will review the flow rate of its water fixtures.

Our cinemas division, which consumed 157,252 m³ of water in 2018, exhibit a similar consumption pattern to our property division, with soft drinks and lavatory use making up the major portion of its water footprint. The division saw a reduction of 4.27% in its water usage as compared to 2017 due to the installation of water-efficient auto-flush facilities, and renovation and maintenance works at two cinemas. To further manage and reduce water consumption, the division plans to review the flow rate of its water fixtures, raise water conservation awareness amongst employees and customers, and train employees in best kitchen practices.

Livestock farming accounted for 24.7% of the Group's total water consumption. Almost half of this was consumed by poultry, while the other half was mainly used for cleaning hatcheries. To reduce water consumption, the division uses high-pressure pumps to wash the chicken housing. Water is also recycled for the cooling pad and washing hatchery baskets. Supply line checks and maintenance are carried out regularly to prevent leaks.

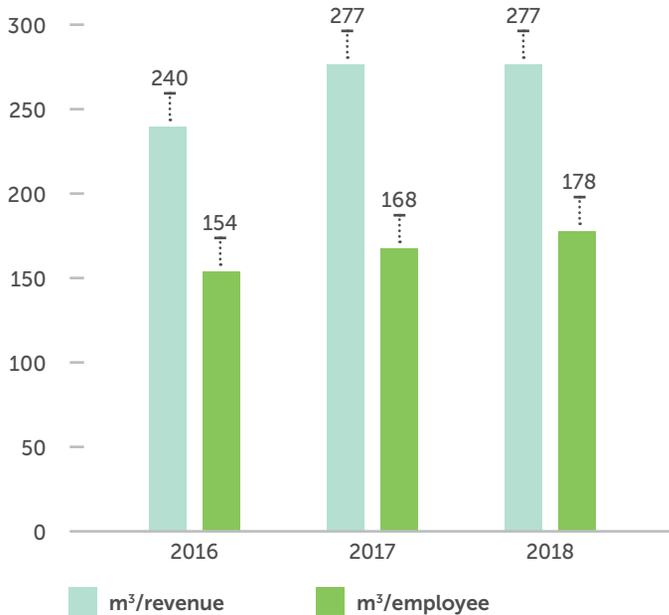
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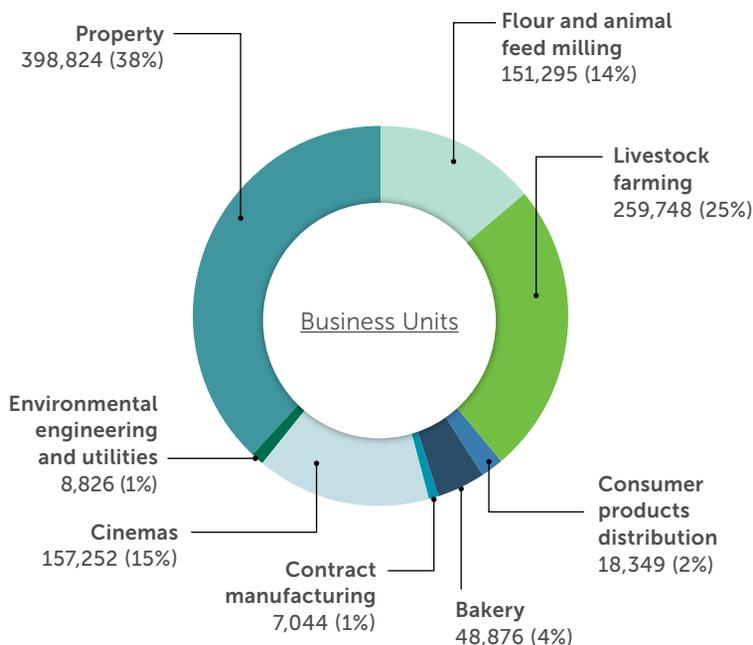
Note:
Water usage figures do not include PPB Head Office or operations outside Malaysia.

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Water consumption in m³ per employee and m³ per million RM revenue



Water usage in m³ by business unit (2018)



Waste management

Proper waste management is vital for protection of the environment and local population health. Packaging use and waste have become an increasingly important material issue as consumers and business-to-business customers seek to minimise their environmental impact. Many of our business units are implementing strategies to reduce, reuse and recycle packaging.

Our environmental engineering and utilities division identified waste handling and disposal, as well as the prevention of soil and water pollution, as being of high importance in the water, sewage, solid waste and flood mitigation segments. The division uses appropriate technologies to handle and treat various wastes and pollutants in achieving environmental sustainability.

Our livestock farming division produces only biological waste, layer raw and dry manure, and breeder raw manure – which are classified as non-hazardous. A large percentage of the layer raw manure is repurposed into organic and semi-composed fertiliser for use in vegetable farms.

Cinemas are associated with high-volume waste, from discarded ticket stubs to discarded plastic bottles. To make cinema-going more sustainable, GSC has introduced a mobile app that enables moviegoers to go ticketless. Having purchased tickets online, customers at selected cinema checkpoints simply scan the QR code sent to their smartphones.

In December 2017, GSC conducted a trial single-use plastic bottle recycling programme. As at end-2018, GSC has completed the roll-out of the programme to over 10 cinemas in the Klang Valley. Although the initial target was 18 sites by the end of 2018, this was scaled down accordingly due to labour shortages, specifically third-party cleaners, to cope with the cleaning and management of the recycle bins. GSC also discourages the use of plastic bags and straws by providing biodegradable bags on request and putting up “Say No To Straws” signs at its cinemas.

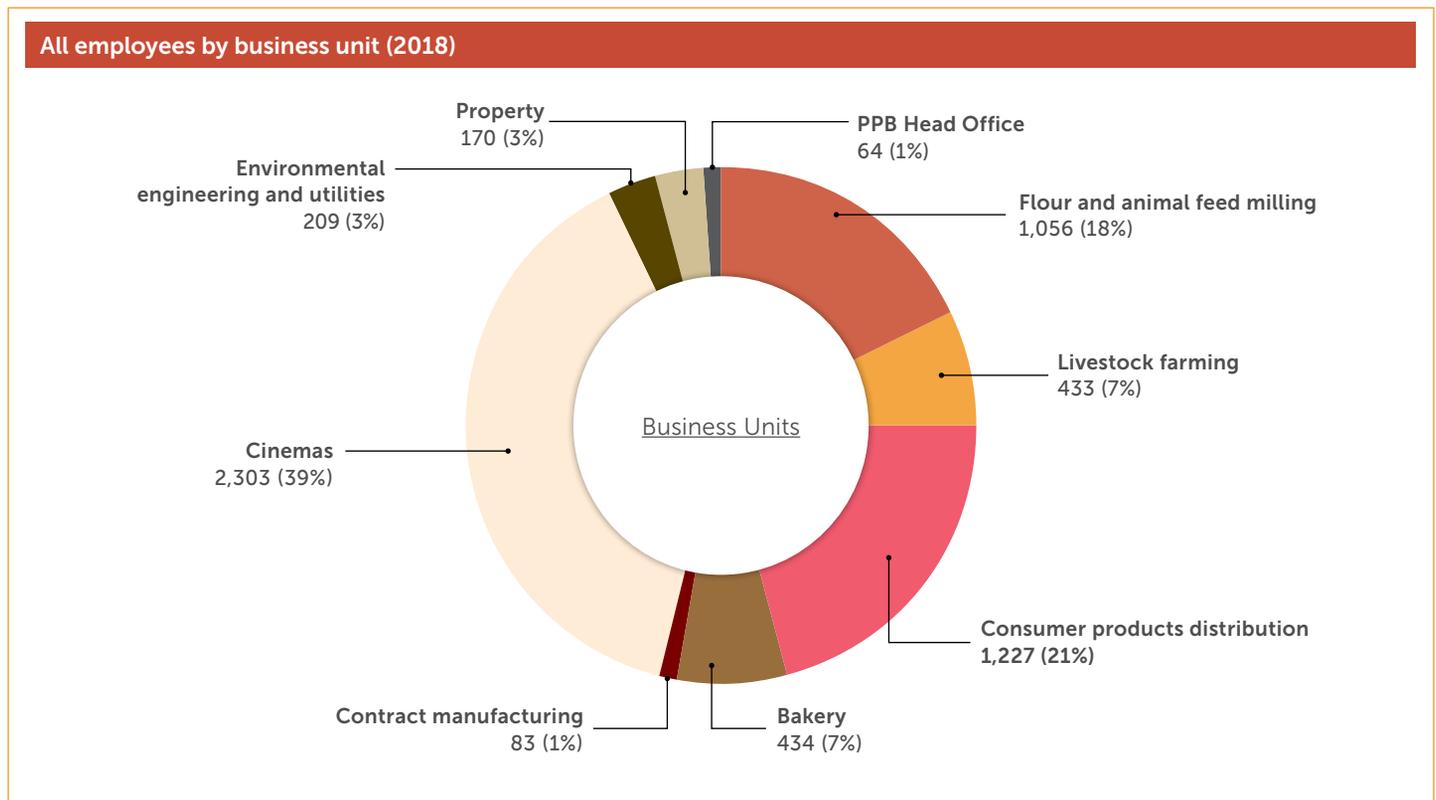
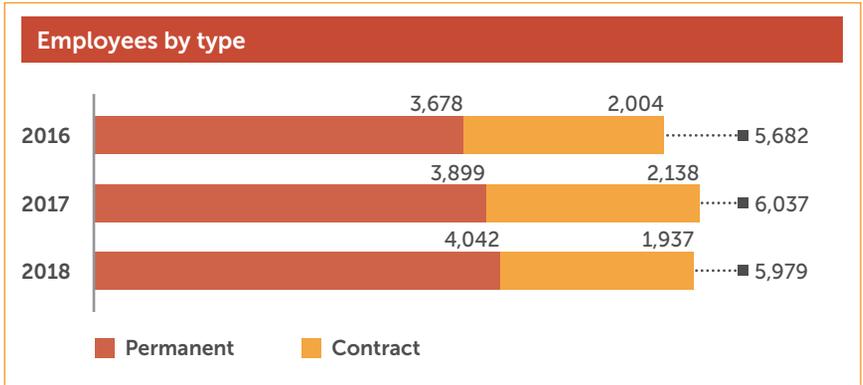
WORKING ENVIRONMENT



A major sustainability issue faced by all industry sectors in Malaysia today is the recruitment and retention of employees – from unskilled workers to highly skilled professionals. Our approach to this challenge includes focusing on creating and maintaining safe workplaces, and an engaging and supportive culture to empower talented individuals to succeed.

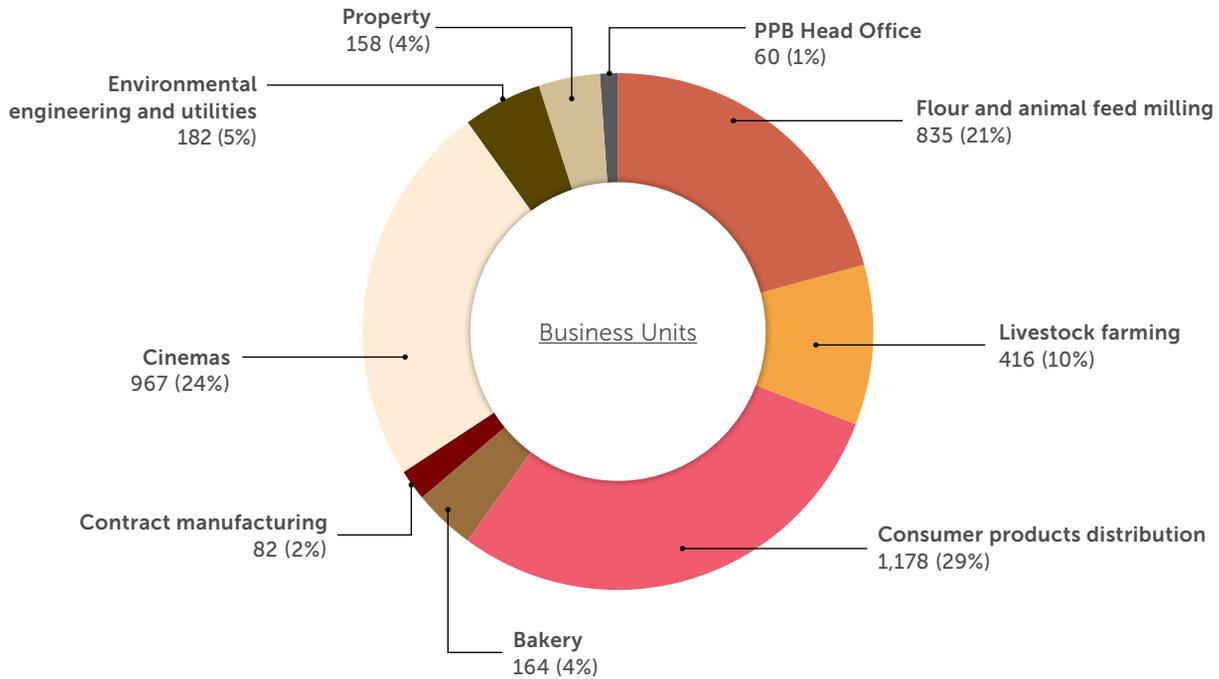
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The Group has a workforce of almost 6,000 employees, of whom more than two thirds are permanent full-time employees. Our cinemas division accounts for the highest proportion of workers (39% of the Group's total workforce), most of them on a part-time basis. Approximately one third of our permanent workers are employed in the consumer products division, where only a few individuals are hired on a temporary basis.



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Permanent employees by business unit (2018)

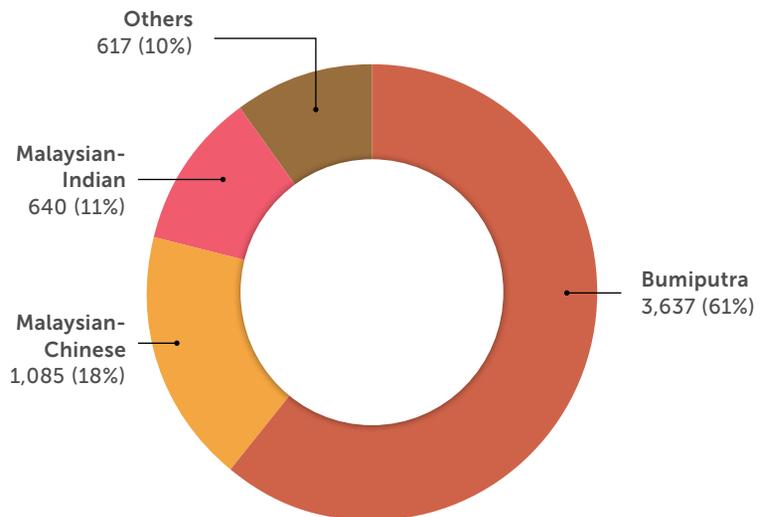


Amidst fierce competition for talent and labour, we want to be recognised as a diverse and attractive employer by all sections of the community, regardless of ethnicity or gender.

Most businesses are stronger when their workforce reflects the communities in which they operate. The majority of our employees are in Selangor*, where Bumiputera (Malays and indigenous populations) constitute half the population, Malaysian-Chinese make up about 24%, and Malaysian-Indians a further 11%. In general, our workforce reflects this breakdown.

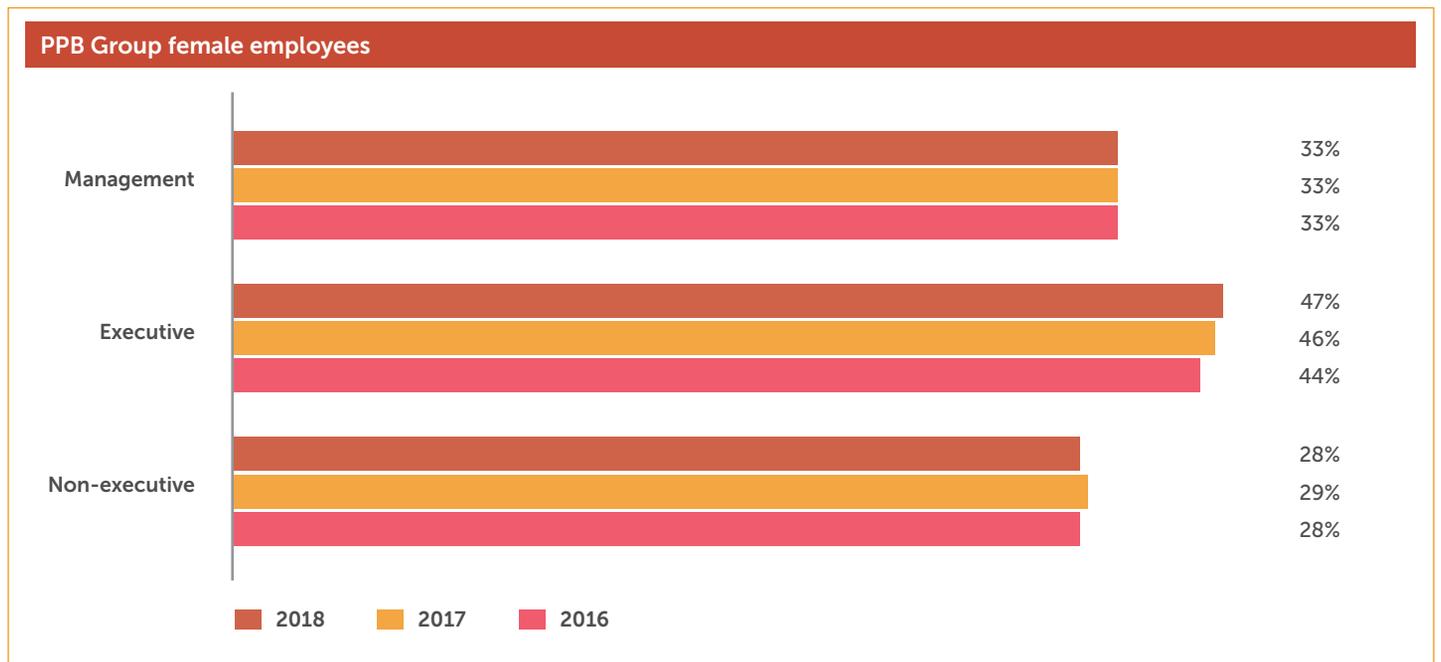
About 30% of our employees are women - slightly below the Malaysian workforce at large, where women make up about 38%.

PPB Group employee distribution 2018



(* Source: Dept of Statistics Malaysia.

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Well-being in our work places

We believe that employees are the driving force of a strong business and that a motivated workforce delivers value to our stakeholders. The majority of our employees undergo an annual performance review and we seek to provide an engaging and supportive culture to empower individuals to reach their full potential.

Fitness activities have been proven to improve health and well-being, as well as foster teamwork and a stronger work culture. Employees at FFM Berhad’s Head Office are encouraged to maintain their fitness at a fully-equipped onsite gym. PPB promotes a healthy lifestyle with regular exercise and encourages employees to participate in organised runs by sponsoring registration fees. Employees from PPB took part in both the 2018 Bursa Bull Charge and The Edge Kuala Lumpur Rat Race 2018. They were joined in the latter by a team from GSC.

Divisions within the Group also provide opportunities for employees and their families to gather in the spirit of community by organising family days. As part of PPB’s 50th anniversary celebration in 2018, an outing was organised at Sunway Lagoon

filled with activities and prizes for staff and family members. The FFM Group celebrates employees’ (foreign workers included) hard work, strong commitment and loyalty by holding regional annual dinners at its Malaysian operations.

Training

Employees in all divisions receive training in areas relevant to their function. For the food-related and manufacturing segments, extensive training is provided on hygiene, food safety and handling (including HACCP), occupational health standard enhancement and workplace safety. Practical on-the-job learning is supplemented with segment-specific training, such as chemical handling and biosecurity for the livestock farming division, and effluent treatment and food allergen awareness training for the bakery division. Relevant employees also receive ongoing training on the latest legal and regulatory requirements, such as updates to the Employment Act 1955 (Rev. 1981), the Competition Act 2010, the Malaysian Code on Corporate Governance and tax laws. Some divisions have also developed specific leadership and coaching programmes to strengthen management skills.

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Upholding labour practices and employee rights

The Group is committed to treating its employees fairly, with dignity and respect. Our Group-wide human rights policy, adopted and published in March 2018, is guided by the principles expressed in the Universal Declaration of Human Rights. The Group complies with all applicable labour laws, rules and regulations in the countries the Group operates, including the Malaysian Employment Act 1955 (Rev. 1981), Industrial Relations Act 1967 (Rev. 1976) and regulations governing key issues such as child labour and forced labour. Employees have access to a grievance mechanism to raise concerns related to workplace practices. The Group has a zero-tolerance policy against discrimination in any form. No instances of child labour were reported during the current period and the Group does not employ any person below the age of 16.

Foreign workers and illegal labour

The Group employs relatively few foreign workers – about 8.5% of our total workforce is non-Malaysian. Most of them are employed in the bakery and livestock farming divisions due to severe labour shortages in both sectors. All foreign workers directly employed by the Group have legal contracts and are accorded similar working conditions as local workers. Benefits vary across divisions, but generally exceed legal requirements and include access to incentive schemes, medical care and participation in company social and recreational events. In addition, foreign workers are provided with housing and transportation.

Ensuring safer working environments

The Group is committed to protecting the health and safety of its employees. We aim to foster a risk-averse working environment, eliminate safety hazards and target zero fatalities across all our divisions. As successful management of health and safety requires commitment, consultation and cooperation, we strive

to ensure our employees understand that they share in this responsibility, and that everyone is accountable for both their personal and colleagues' health and safety.

The Group recorded a total of 36 Lost Time Accidents^v (LTA) in 2018. This is 11 more than in 2017 but is relatively low given the size of the Group and the diverse range of its activities. No accidents were recorded at PPB Head Office or in the environmental engineering and utilities, contract manufacturing or property divisions.

The increase in LTA in 2018 was mainly from our consumer products division, which recorded their first accidents in two years, mainly involving sprains and strains. Our bakery and cinemas divisions had 5 and 2 accidents respectively comprising mainly sprains, falls and fractures, while our flour and animal feed milling division recorded 13 accidents. The recorded accidents from the latter division were mainly cuts, sprains and fractures, except for one major injury where a safety inquiry was conducted and preventive measures recommended. All four divisions have now strengthened measures to prevent future incidents.

Our livestock farming division had the highest LTA rate in the Group in both 2016 and 2017 due to the highly manual nature of the work, as well as the physical environment of the farms. The most common accidents were slips, sprains and injuries resulting from incorrect use of personal protective equipment (PPE). In 2016, we set a target to reduce the number of accidents by 10% in 2017, and the division successfully reduced its accidents by 31.6% that year. In 2018, the number of accidents was further reduced by 30.8% as a result of the division's sustained focus on safety, which includes regular training and safety awareness sessions.

Recordable accidents by business unit (2016-2018)

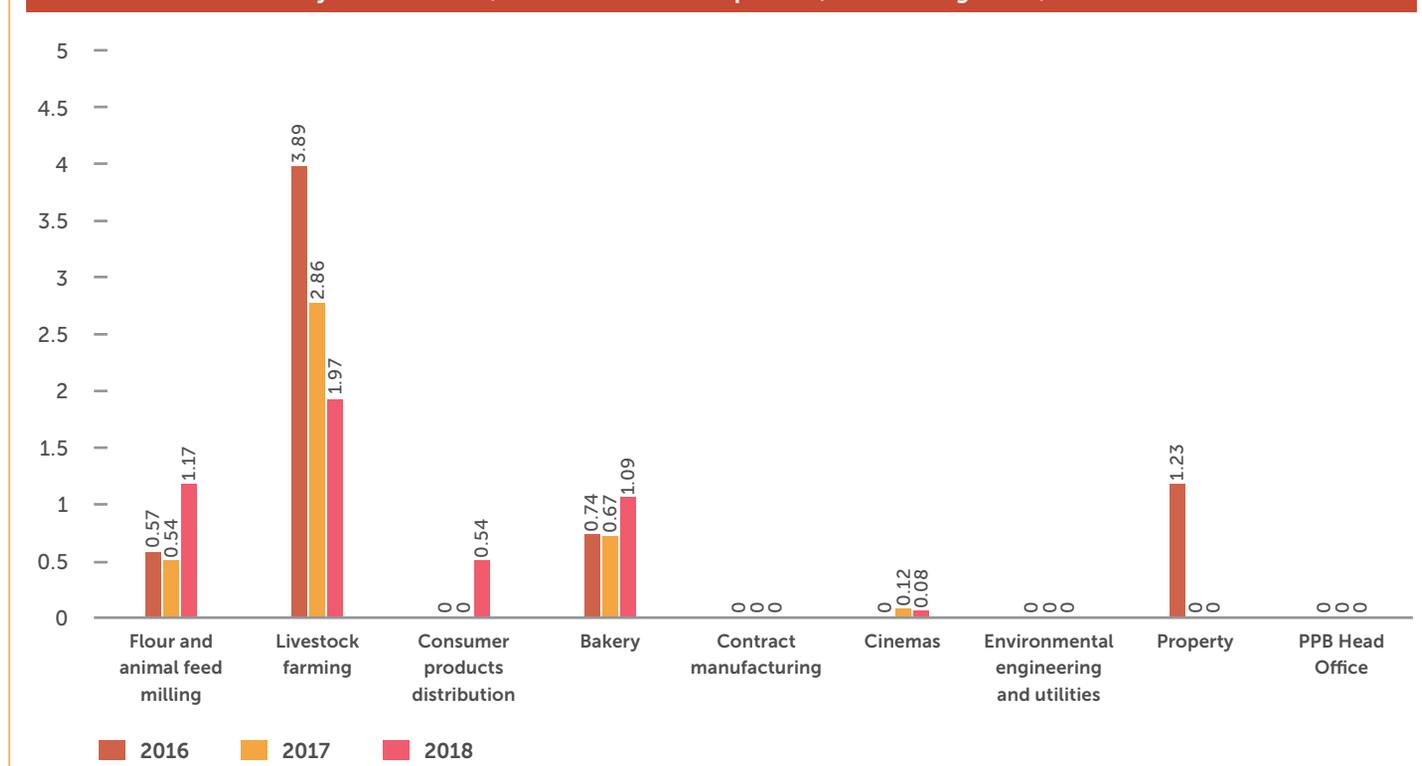
	Flour and animal feed milling	Livestock farming	Consumer products distribution	Bakery	Contract manufacturing	Cinemas	Environmental engineering and utilities	Property	PPB Head Office	Total
2016	6	19	0	3	0	0	0	2	0	30
2017	6	13	0	3	0	3	0	0	0	25
2018	13	9	7	5	0	2	0	0	0	36

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Average no. of lost days per accident by business unit (2016-2018)

	2016	2017	2018
Flour and animal feed milling	13.83	35.17	12.23
Livestock farming	17.95	16.77	12.11
Consumer products distribution	0	0	58.14
Bakery	14.67	8.67	18.20
Contract manufacturing	0	0	0
Cinemas	0	22.00	12.50
Environmental engineering and utilities	0	0	0
Property	75.00	0	0
PPB Head Office	0	0	0

Lost time accident rate by business unit (Number of accidents per 200,000 working hours)



Note:
 Lost time accident (LTA) rate measures the productivity loss due to accidents and is calculated as follows:

$$\text{LTA Rate} = \frac{\text{Total number of accidents} \times 200,000 \text{ man-hours}}{\text{Total working hours}}$$

There were no workplace fatalities in the Group over the past two years^{vi}.

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Dust explosions

Dust explosions can be a major hazard in mills and bakeries and typically occur where high concentrations of suspended combustible materials ignite due to friction, electrical discharge or surface heat. When occurring in confined spaces, dust explosions can cause injury, and major damage to structures and equipment.

Our food production operations have a division-specific statement of compliance with Standard C stipulated under the Environment Quality (Clean Air) Regulations 2014, which sets a standard dust concentration limit of 0.4 g/Nm³. The Group's flour and animal feed milling division is covered by its respective Occupational Health and Safety Policies, and has a target of zero industrial accidents.

Hazardous chemicals

The handling of hazardous chemicals is a prominent workplace issue identified in our food production and contract manufacturing divisions. These divisions have specific statements of compliance and detailed standard operating procedures. Specific training on chemical handling is provided to relevant personnel across the Group's business divisions annually.

Noise pollution

Long-term hearing loss is linked to occupational noise, especially where employees are exposed to a variety of continuous and intermittent noise from processes and machinery. This makes noise a significant material issue for our property, food and manufacturing divisions where specific policies are in place to protect workers from damaging noise levels. We have also implemented a system to mitigate noise pollution as far as possible at facilities in these divisions.

A KPI based on the total area exposed to noise levels above 85 dB has been established at our flour and animal feed milling plant in Pulau Indah, and we continually work to reduce this space.

At our other flour and animal feed milling operations, we provide employees with PPE and hearing protection, and appropriate signage is placed in high noise level areas. Regular awareness and training programmes are organised by the division to enhance occupational health standards in the workplace.

MARKETPLACE ENGAGEMENT



Marketplace impacts, including governance and ethics, are of high material importance to both the Group and its stakeholders.

Code of Conduct and Ethics

The Group is committed to conducting its businesses in compliance with local laws and regulations and with utmost integrity, transparency and accountability. A code of conduct and ethics, which is included in both our Group employee handbooks and on our website – www.ppbgroup.com – sets out the standards of conduct and personal behaviour our directors and employees are required to observe to ensure that the Group's commitment is upheld.

Anti-corruption

The Group firmly believes in operating its businesses based on high standards of integrity, transparency, ethics and accountability and is against corruption in all forms. Our code of conduct and ethics sets out the Group's business values and practices by which our directors and employees are required to abide. We also have in place Group-wide whistleblowing policies with mechanisms to enable employees and external parties to confidentially report any breach, or suspected breach, of any law or of our policies and practices. All complaints are investigated and such breaches may lead to disciplinary measures, including dismissal.

SUSTAINABILITY STATEMENT

Reporting

Accuracy, timeliness and transparency in financial reporting are of paramount importance for the Group and its stakeholders. PPB reports its financial performance on a consolidated basis and engages its stakeholders regularly through quarterly results announcements and e-investor updates. We conduct two press and analyst briefings every year to keep our shareholders and the investment community updated. PPB's financial and operational information can be found on our website – www.ppbgroup.com – where stakeholders may also direct enquiries and provide feedback.

Quality and safety first

Product and/or service quality and safety are without exception of the highest importance to the Group's operations. In the food production division, companies must adhere to specific quality policies and are covered by division-specific statements on food safety and halal compliance.

All relevant business operations comply with applicable food regulations and standards, including HACCP Certification (MS1480:2007), HACCP Codex Alimentarius Certification, GMP Certification (MS1514:2009), ISO 22000 Food Safety Management System and halal certification.

Specific measures have been implemented to enforce our standards in sector-specific contexts. Our livestock farming division collects data on the mortality rate, body weight, uniformity and egg production rate of parent stocks and commercial layers. The number of antibiotic treatments administered is also monitored.

Performance on quality and safety parameters is recognised by awards and acknowledgements received by our divisions. For example, our flour mill in Kota Kinabalu was awarded the National Occupational Safety & Health Excellence Award 2017 under the SME category by the Department of Occupational Safety & Health (DOSH).

As obesity is becoming an increasing concern in Malaysia, we want to support consumers in making informed choices through more transparent information. A sideboard of nutritional facts and allergen alerts of hot foods prepared by GSC such as popcorn, chicken meatballs, nuggets, nachos etc. is displayed at all its cinema concession counters nationwide. This is to enable customers who are health-conscious or allergic to certain substances make better-informed choices. The nutritional facts list can also be found on the GSC website – www.gsc.com.my. Pre-packed items, which contain nutritional information on their packaging, are not included in the list.

Group Sustainability Policy

We developed our first Group Sustainability Policy ("Policy") which was approved by the Board in March 2018 and communicated progressively to the subsidiaries. The Policy covers three aspects – Environment, People/Human Rights, and Ethics & Marketplace – and provides a framework within which the Group strives to achieve excellence in sustainability. The Policy will be reviewed periodically by the SSC for approval by the Board. The Policy can be viewed at www.ppbgroup.com.

Customer satisfaction and engagement

Customer focus is vital to the continuing growth and success of the Group's businesses. The Group understands that customer satisfaction and engagement are important material issues that have an impact on its reputation and brands. We enhance our customers' experience in their dealings with our divisions through various digital and non-digital media. We also incorporate customer feedback in our businesses to enable us to better identify and serve our customers' needs and concerns.

Regular customer satisfaction surveys are conducted in our flour and animal feed milling, livestock farming, and environmental engineering and utilities divisions, covering areas such as product quality, timeliness, service levels and staff competence. In addition, our flour milling division engages extensively with customers on sustainability-related topics through participation in the Supplier Ethical Data Exchange (Sedex), and provides updated information on labour standards, as well as ethical and environmental practices.

Our contract manufacturing division sets a quality objective each year, and uses this as a KPI to measure its performance.

SUSTAINABILITY STATEMENT

In our cinemas division, customer feedback grew from 141 (per 100,000 admissions) in 2017 to 206 in 2018, mainly due to the introduction of Facebook Private Message in 2017 as an additional and convenient channel for customers to provide feedback or make enquiries on show times, ticket prices, subtitles, classifications, promotions, bookings and birthday redemptions. Complaints received by the division which covers e-payment transactions, membership, marketing, vouchers, cinema services and facilities issues grew from 31^{vii} (per 100,000 admissions) in 2017 to 46 in 2018. This increase was largely due to the overwhelming response to an exclusive screening of "Burn The Stage: The Movie", a musical documentary of the hugely popular K-pop boyband, BTS where almost all 12,000 tickets were snapped up within 30 minutes of going on sale. For better customer experience, the division has also implemented automated messaging and email to inform customers of any e-payment failures. The division also uses mystery customers regularly to assess the quality of its services and products to better meet customers' expectations.

Inclusivity and diversity

GSC provides disabled-accessible facilities including lifts and wheelchair spaces in all its new, and majority of existing cinemas to facilitate cinema-going for people living with disabilities. GSC also hosts annual international film festivals to help drive cultural awareness in our communities.



FTSE4Good

Effective from 24 December 2018, PPB Group has been included in the FTSE4Good Bursa Malaysia, FTSE4Good Emerging Markets and the FTSE4Good Asean5 indices. The FTSE4Good Index Series*, which is reviewed twice annually, identifies companies which demonstrate strong environmental, social and governance practices measured against globally recognised standards. The FTSE4Good Bursa Malaysia Index currently comprises 56 constituents which are drawn from the companies on the FTSE Bursa Malaysia EMAS Index. PPB's inclusion in the indices demonstrates a leading approach within the Malaysian market to address relevant corporate responsibility risks and our commitment to responsible business practices.

* www.ftse.com/products/indices/FTSE4Good.

Recognition

GSC has received many awards in the cinema category. In 2018, GSC won the Gold Award in the Entertainment Category of the Putra Brand Awards for the fifth year in a row. A Putra Brand Icon since 2017 for achieving four consecutive Gold Awards, GSC's repeated success is a testament to the company's strong brand equity and market leadership. The Putra Brand Awards reflect the people's choice of Malaysia's favourite brands and are based on consumer feedback and satisfaction. GSC was also recognised on the international stage when it received the Brand of the Year Award - National Tier (Malaysia) at the 2018 World Branding Awards, which is considered the ultimate global brand recognition accolade. GSC's continuous success stems from a fundamental resource – its people – and this is mirrored in GSC's reception of both the Gold Award (HR Best Practices) at the 2018 Malaysian International HR Awards, and the Bronze Award (Best Recruitment Programme for Non-degree Holders) at the HR Asia Recruitment Awards 2018.

Massimo (an FFM brand) was accorded the "Superbrands Malaysia" status in 2018 by Superbrands, the world's largest independent authority and arbiter of branding which conducts an annual online survey involving about 3,000 senior managers and marketing professionals. Only brands scoring at least 80% "feel-good" points are awarded the Superbrands certificate and seal. Being a Superbrands' winner is an indication of the brand's commitment to deliver the best products and services to consumers to build trust and loyalty, and Massimo being awarded the Superbrands status, exemplifies this commitment. Massimo was also adjudged a winner as one of the top brands under the Foodstuff Category (Bronze) of the 2018 Putra Brand Awards.

FFM Marketing Sdn Bhd was awarded "Best Employer" by Kumpulan Wang Simpanan Pekerja, Selangor in 2018 for the second time since 2014.

Privacy and personal data protection

We take our responsibility to protect the individual privacy and personal data of our customers and our employees seriously. All our business divisions are compliant with the Personal Data Protection Act 2010 and the relevant divisions have formal customer privacy policies.

COMMUNITY INVESTMENT



CSR Task Force

We see ourselves as a force for good in the communities where we operate. Local wealth creation is identified as an important material issue for the Group and we are committed to balancing our business needs with support for community growth and well-being. In this, we have taken a more strategic approach to planning and delivering community investment programmes that are closely linked to our businesses and areas of operation.

The SSC is responsible for overseeing the Group's community investments. To assist the SSC in devising strategies and reviewing, managing, implementing and tracking our community investment programmes, a CSR Task Force comprising representatives from PPB's Head Office and the subsidiaries was set up in 2017. Our Group community investment strategy has three pillars – Social, Environmental, and Arts and Culture – that support programmes including youth education and development, living skills and standards enhancement, environmental awareness and health activities.

SUSTAINABILITY STATEMENT

PPB-KF Welfare Fund for Perlis

In 2010, PPB established a RM10 million endowment fund to benefit the poor and underprivileged in Perlis and appointed Kuok Foundation Berhad (“KF”) to manage the fund. For 2018, the fund disbursed RM238,460 to provide vouchers for school items to 1,050 students, 11 study grants, donations to a retirement home and development of a “Rest and Read Mini Café” for a school library. A total of RM1.69 million has so far been spent on school uniforms and shoes for more than 7,000 primary and secondary school children under the annual Educare Project, as well as 80 study grants, 199 one-off scholarships and cash donations to welfare homes.

Back to School Project

To reduce the burden of needy families in meeting the basic needs of their school-going children, PPB has been contributing free school uniforms and shoes to children at different states in Malaysia under its annual “Back to School Project” since 2010. In 2018, 1,299 students from 10 primary schools in Bukit Mertajam, Penang and an orang asli school in Kampung Simoi, Pahang, were the recipients under this Project. To date, a total of RM609,730 has been invested in the Project, benefiting a total of 14,081 primary school pupils.

Improving the lives of orang asli communities

Since 2015, PPB has been engaging with Malaysia’s indigenous communities, the orang asli, and we remain committed in addressing their need for basic amenities and improving their living conditions. We have identified their most pressing needs – clean water supply, sanitation facilities, electricity and proper shelter – and are focusing our efforts in these areas. We believe that the communities which benefit from this programme should be fully involved, and encourage them to take ownership of their own well-being and living conditions. Under the terms of our sponsorship, PPB purchases all materials whilst the communities supply the labour.

For the Jakun orang asli communities in Simpai and Tasik Cini in Pahang who had to travel long distances to get water for their daily needs, we started by sponsoring the construction of wells to supply clean water. The completed wells attracted more orang asli to build their homes nearby and as usage of the wells increased, bathing in open areas became inconvenient. To safeguard their privacy and promote hygiene, we progressed to sponsoring a bathroom and two toilets complete with septic tanks for each well recipient. To date, a total of ten well recipients have completed construction of their respective sanitation facilities while another five are scheduled to complete theirs by 2019.

In Gerik, Perak, where clean water can be readily obtained from nearby streams, we sponsored the building of higher dams and piping systems to provide more convenient access. We have also sponsored the installation of solar panels for electricity supply, as well as saplings and farming tools to assist in their farming activities.

Year	Sponsored	Serves	Location
2015	10 wells	158 individuals	Simpai, Pekan
2016	10 wells	244 individuals	Tanjong Gong, Tasik Cini
2017/2018	8 sets of toilets & bathrooms	123 individuals	Simpai, Pekan
	7 sets of toilets & bathrooms	208 individuals	Tanjong Gong, Tasik Cini
	Dam with piping system & solar panels	3 villages	Gerik, Perak
2018	Cleanliness campaign	192 individuals	Simpai, Pekan
	Saplings & farming tools	3 villages	Gerik, Perak

As part of our continuing commitment to improve the livelihood of the orang asli, we have in the pipeline, the sponsorship of zinc roofs and wood panels to replace their dilapidated huts.

SUSTAINABILITY STATEMENT

Breaking the cycle of poverty through education

The Orang Asli Education Centre (OAEC) in Raub, Pahang is operated by Semenanjung Orang Asli (SEMOA) to help the community break the cycle of poverty through education. The centre is able to house only 88 orang asli children. To accommodate the increasing number of applicants on the waiting list, a new 32-bed dormitory is being built and PPB will be sponsoring the fit-out works for the new dormitory.

Bridging cultures through film

Our cinemas division plays a role in stimulating greater awareness of the arts, and bridge cultures. Since 1999, GSC International Screens has offered local audiences alternative content comprising foreign language and award-winning films, anime, concerts and other non-mainstream fare. Film festivals hosted in partnership with foreign embassies were included in 2001 to bring the diverse cultures of international cinema to Malaysians. Some of these film festivals have since grown into annual events much anticipated by an increasing number of followers. In 2018, GSC hosted nine film festivals in both Peninsular and East Malaysia – seven returning (French, Japanese, the European Union, Korean, Latin American, Iranian and Czech Republic) and two inaugurals (Hungarian and Vietnamese).

Improving English language proficiency

To help improve the English language proficiency of students, PPB sponsored forty primary and secondary schools, as well as four interactive workshops in Johor (Muar and Pasir Gudang) for The Star's "English for Better Opportunities" (EBO) programme. This programme is intended to build students' confidence in speaking, listening, reading and writing through teamwork. Our cinemas division supported the programme by hosting a series of workshops in Johor Bahru for movies based on children's books under its GSC Junior Movie Club, which utilise movies as a teaching tool. The three films selected for the workshops were "Christopher Robin", "Goosebumps Haunted Halloween" and "Nutcracker and the Four Realms".

Other community projects

- GSC continues to champion and build awareness of autism. The cinemas division launched an "Autistic People Are Not Broken" awareness of autism spectrum disorder (ASD) campaign. GSC also showcased "The Wayang Kids", a movie about an autistic child and his love for Chinese musical theatre, from which RM10,000 was raised for the National Autism Society of Malaysia (NASOM).

- FFM Marketing Sdn Bhd hosted the Massimo Junior Master Chef Workshops 2018 in collaboration with Kuntum Magazine. A total of 48 children attended the workshops conducted by celebrity chef, Sherson Lian, where they learnt simple yet delicious recipes.
- CLM was the host venue for World Vision Malaysia's child sponsorship programme held to raise awareness of issues affecting children, as well as an art exhibition by the children of Dignity for Children Foundation held to create awareness of the NGO.
- To support the blood banks' and hospitals' requirement for a consistent supply of blood, CLM organises annual blood donation and awareness campaigns. GSC too holds annual blood donation drives in collaboration with the National Blood Centre to enable its employees and business associates to do their part for the community.
- Festivals are times for celebration, as well as remembering the underprivileged and marginalised communities. The Group celebrates the main festivals with these communities by organising lunches, activities, distributing festive goodies and fulfilling some of their wishes.

28 March 2019

Notes to data

- i Figures for 2017 have been restated to reflect updates in energy consumption by our property, and environmental engineering & utilities divisions.
- ii Total figures for flour and feed energy usage in kWh/MT for 2016/2017 have been restated due to a previous calculation error.
- iii Figures for 2016/2017 have been restated to reflect updates in shows/screen by our cinemas division.
- iv Total water consumption for 2017 has been restated to reflect updates by our property and livestock farming divisions.
- v Figures for 2016/2017 for recordable accidents and LTA for our flour & animal feed milling, livestock, consumer products, bakery and cinemas divisions have been restated due to a previous calculation error.
- vi In previous reports, a fatality involving a third party contractor in 2016 was omitted. The fatality occurred in our flour and animal feed milling division, during the construction of a flour mill in Johor Bahru, where a worker employed by a third-party contractor suffered a fatal fall. The accident was reported to the Department of Occupational Health and Safety, and preventive care was taken to ensure that the project was completed without any further incidents.
- vii Figure adjusted to include membership, marketing and voucher related issues.